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# THE EFFECT OF THE EUROPEAN WAR ON AMERICA'S TRADE WITH INDIA

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Fifteen years ago I heard a distinguished geographer lecture in Paris on the Pacific as the future center of the world's commerce. That is what I want to preach, the gospel of the future of the Far East and of the New Pacific. It can be more easily grasped today than fifteen years ago, for since then the Canal has been dug and Japan has beaten Russia and risen to a place of first importance in deciding the destiny of nations. Japan has forged ahead in our international trade until it takes one-half of all the goods we send to Asia. China comes next, and has vaster possibilities than Japan.

British India stands third among the countries of Asia as a buyer of American goods and is the farthest of the Far East from our shores. It is exactly half-way around the globe from the United States, east and west, and because of its position on the Indian Ocean it must perhaps be considered a permanent appendage of Europe commercially rather than an integral part in the trade of the New Pacific. Yet our trade with India is already of vast importance, and a study of it during the last few months of the war is interesting as an example of the general condition which the European catastrophe has brought on throughout the entire civilized world. It illustrates the results of the stoppage of shipping, especially during the cruise of the *Emden* in Indian waters, the disturbance of financial and general industrial conditions through interference with production in Europe and abroad, and the embargoes laid upon certain exports and imports by England. I also find in a study of the most recent figures, some of which are herewith published for the first time, a complete demonstration not only of the decrease in trade during the first months of the war but of a decided increase during the last month or two as compared with previous years. An interesting question suggests itself:—may this not be one of the cases in which an expected permanent loss in the trade of Germany and Austria is already being diverted to the

United States? And is it not possible that the far greater trade of England in India will be diverted in some measure to this country? In the case of England this may not be because of the war so much as because of serious opposition in India itself to trade with Great Britain, which is just now becoming manifest under the name of the Swadeshi movement.

While the Swadeshi movement was directed in the first place against all foreign goods and strove for the upbuilding of native industries, it is becoming directed against England more and more in the hands of political agitators and revolutionists in India, and to some extent in favor of American trade. I do not know the relation of Prince Sarath Ghosh to the Swadeshi movement, but I heard a significant statement from him, as an expert student of the economic history and industries of his native country. In a recent address in America, he said:

Our importations from England, first, then from Germany, France and Austria, were tremendous. Now the market is open for other goods, and if America seizes the opportunity she can hold much of this trade. You are looking to South America for your market. Meanwhile, you overlook India, where more than 300,000,000 people are making surprising strides in civilization, so that their needs far outstrip the present importations. . . . There are the many products we bought from England and the Continental nations. We must look elsewhere for chemicals, medicine, drugs, machinery, building materials, and scores of other manufactured products. Wonderful opportunities await the alert American merchant.

Notwithstanding the advantage England has over other countries in obtaining the trade of India, British India is already one of the nine or ten greatest purchasers of American goods outside of Europe. In fact, there are only ten countries in Europe which buy more from us annually than does India. But this gives no indication of the vastness of India as a market and the possibilities in the increase of American trade in that country, for the United Kingdom holds at present 70 per cent of its import trade, and, in fact, more than 95 per cent of the Indian purchases in the largest line, that of cotton piece goods.

India has always cut a figure of first importance in the trade of the world. Students of Indian trade point out that the rulers and governments that have controlled it have become the wealthiest of the world. India in 1910 ranked eighth in the list of all importing countries and eleventh in the list of the exporting countries of the

world. India's purchases of British exports were equal to the purchases of Canada, Australia, South Africa and New Zealand, combined. The total import trade of India from Great Britain amounts to \$330,000,000 per year, of which more than \$180,000,000 is for cotton goods. India takes two-fifths of the entire value of the exports of Great Britain to all countries.

This is all the more astonishing when the poverty of the masses of India is taken into account. The purchasing power per capita is only \$2 as compared with \$80 in Australia. This indicates the inevitable character of the greater part of India's purchases. Goods must be cheap. But the total profit is immense because the 300,000,000 of India's population must be clothed—largely with the products of foreign cotton mills—and must have simple agricultural tools and even large amounts of machinery for the equipment of native industries.

### *India As a Buyer of American Goods*

The great proportions that American trade has already reached in India will be better realized from the following details:

British India is the largest buyer in the world of our cheapest cotton goods, excepting only China—I am speaking of our \$15,000,000 export of unbleached cottons. British India, including Aden, which politically belongs to British India, takes one and a half times as much of our unbleached cottons as all South American countries combined. India buys more than \$3,000,000 worth of our iron and steel manufactures and more than \$3,000,000 worth of our petroleum. Among all the countries of the world, India stands tenth in rank as a purchaser of our lamp oils, and sixth in rank as a purchaser of our lubricating oils, the purchases of the latter amounting to more than \$1,000,000 per year. In this line India is equalled as a buyer by only one South American country, Argentina.

As to the particular lines of iron and steel manufactures purchased by India, only one other country, Canada, buys so much hoop and band iron from the United States as India; only three other countries buy more wire nails from us than India; only five other countries buy more non-galvanized iron sheets and plates from us; only eight other countries take a larger share of our \$16,000,000 export of structural iron and steel—including one country in South

America; only ten other countries buy as much of our \$5,000,000 or \$6,000,000 export of tin plate as India; and only ten other countries buy as much structural machinery as India out of our total export of \$8,000,000.

Even our tools are used in India in great numbers. For example, our saws—outside of Europe, India is one of the twelve largest purchasers from us in the world; and of our miscellaneous tools, amounting to an export of \$8,000,000, only five other non-European countries buy so largely from us as India. The same is true of wire: before the war, at least, India bought more barbed wire from us than any country in Europe, except England. Even our patent medicines, typewriters, and automobiles go in amazingly large proportions to India. Only six other countries have taken so much of our total export of \$7,000,000 worth of patent medicines; only twelve other countries have taken so many typewriters—which might have been thought to be a luxury rather than a necessity in so polyglot and primitive a country as is India; and as regards the most notorious luxury of the age, automobiles, India was one of the fifteen largest purchasers of our total exportation of \$21,000,000. Last of all, I will mention a significant and unexpected fact: of our total export of \$3,000,000 worth of lamps, no country in the world bought so many as India, with the one exception of Canada, which is, of course, commercially a part of ourselves.

India is today the world's greatest buyer of the goods upon which America's future development largely depends, that is, certain manufactured products. India is the greatest foreign purchaser of European manufactures. It has been evident for many years that America's trend in commerce has been away from the agricultural exporting business of the earlier years and in the direction of increased production and trade in large manufactures. India, as an agricultural nation, must buy what America most wants to sell as a growing manufacturing nation. It is simply a case of bringing together the buyer and the seller.

Much has been said about capturing South American trade. India has 300,000,000 inhabitants that must be clothed and provided with a wide range of manufactured goods, while South America's population is less than 50,000,000. India has vast wealth inherited from preceding generations and is the most densely populated portion of the globe; South America is as yet the most thinly

populated great division. In railroad mileage India stands fourth among the great countries of the world, ranking below only the United States, Russia and Germany. India has more railroads than Canada, or Great Britain and Ireland; more than all the other countries of Asia combined.

The imports of British India in the fiscal year 1913-1914 amounted to \$752,000,000, and the exports to \$831,000,000. Of the imports, 36 per cent were cotton goods, a line in which the United States is rapidly increasing its production, while its possibilities as the chief cotton producer of the world are almost unlimited. Second in order in the value of India's imports are metals; manufactures of iron and steel form about 9 per cent of the total imports. Thus about 45 per cent of the total imports of British India last year were composed of the classes of articles for which the United States has special facilities of production and ranks among the world's greatest producers, and more than three-fourths of the imports of India were of the classes of merchandise which the United States produces and exports. Yet in spite of this fact, less than 9 per cent of India's imports in 1913-1914 were from the United States.

The exports of the United States to India are increasing more rapidly in value than the imports, although they are much less in value than the imports. According to the official statistics of the United States, imports from British India increased only from \$48,000,000 in 1902 to \$50,000,000 in 1912, while the exports from the United States to India more than trebled in size in the same ten years, rising from a total of \$4,600,000 in 1902 to \$15,600,000 in 1912. The total imports of India from all countries by sea reached the astounding total of \$752,000,000 in 1914, and its exports a total of \$831,000,000. "The wealth of the Indies" is the only phrase that adequately describes it.

*Principal and Permanent Effect of the War—Loss of Trade with Germany and Austria*

What has been and will be the effect of the war on this enormous trade, especially as concerns the United States? The immediate effect is of small consequence, compared with the final effect, which is sure to come, except in so far as the former indicates the

latter. The final effect that we can clearly foresee is the permanent loss of trade which Germany and its allies will suffer in India as a British possession. England will never let it "come back." Other belligerents also may lose some of their Indian trade permanently to the United States, especially Belgium; possibly also, France. Even England may lose portions of her Indian trade if the United States gets a good start on it during the war; for example, in cotton goods, which you will remember is the chief trade, and even more certainly in those manufactures of iron and steel and machinery in which the United States naturally excels. I do not need to recapitulate our natural advantages over competing trade, residing in our iron and coal fields and the cheaper methods of production which are being introduced, and especially in the natural genius for invention which the world recognizes in America, which has grown in part out of the necessities of a new country, and which has enabled us already to lead the world in agricultural machinery and similar products that characterize America. Desperately as our trade is handicapped at present by the lack of American shipping, this will right itself in time. Our other delinquencies also will be overcome. We shall learn how to adapt our manufactures to the peculiar demands of such great buyers as India and how to pack and mark our goods as England, and particularly Germany, have learned to do, and how to best extend our trade by sending representatives abroad; and when advertising and commercial travellers and commission houses and especially, in India, English houses, will not in the nature of the case extend the sale of American goods as branch American houses, and more adequate organization may do.

What will be our chief gain in India from the war? Note that the three belligerents which will naturally have lost the most of their trade with India have exported four times as much merchandise to that country as did the United States. In other words, first in rank after Great Britain's share in the total imports into British India stood Germany, sending about 7 per cent of the total; and then the United States, Austria-Hungary and Belgium, all nearly even in rank (the United States 2.6 per cent; Austria-Hungary and Belgium, 2.3 per cent each); then came France, contributing only 1.5 per cent of India's imports, and Italy, contributing 1.2 per cent. Germany has been the most important recent competitor of Great Britain in Indian trade. The increase in

German sales of metals, cottons, woollens, hardware and cutlery, machinery, glass and glassware, and paper, was considerable. Germany, next to Austria-Hungary, easily competed in the glass trades. Of Belgium's exports of about \$14,000,000 worth of goods to India annually, many were goods of German origin. The articles from Belgium which showed considerable increases recently were: cotton goods, coal-tar dyes and iron and steel. The coal-tar dyes purchased in India were, of course, mainly German. The steel trade of Belgium with India was the trade which Great Britain had recently most to fear. It consisted chiefly of bars and channel steel.

Excepting Germany and Belgium, other countries of the continent had but a small foothold in the Indian import trade. Austria-Hungary exported only \$10,000,000 or \$15,000,000 worth of goods per year. At times half of this amount was in sugar. Other lines of some importance were glassware, hardware and cutlery, and cotton manufactures. The smaller sales of France in British India amounted to \$6,000,000 or \$7,000,000 per year, consisting mainly of liquors, clothing, woollens and silks. The only other trade worthy of particular notice is that of Japan. Its sales to India have increased greatly, nearly doubling in five years. They amount to more than \$15,000,000, more than one-third in 1913 being silk manufactures. Other leading items were cotton hosiery, metals and matches.

The British and Indian governments have been quick to see the opportunities resulting from Germany's loss in Indian trade and have issued a Blue Book covering the subject. I repeat some figures from it, which sums up the situation during the first months of the war. The figures given are for the calendar year 1913 and the official year ended March 31, 1914:

The total Indian imports from Germany and Austria in 1913 were valued at \$55,000,000, which was more than one-tenth as much as all the imports into India from all other parts of the world. In other words, of India's total import trade in private merchandise in 1913-1914, nearly 7 per cent was with Germany and 2.3 per cent with Austria-Hungary. At least 75 per cent of Germany's imports into India were of goods such as the United States should be able to sell. Thirty per cent of her sales were of metals, including manufactures; 11 per cent were of cotton manufactures; and 8.5 per cent were of woollens: these three items making a total of exactly 50 per cent of the goods sold by Germany to India and



being in lines in which we are best able to compete. Smaller items among the imports from Germany are: hardware, machinery and millwork, railway plant and rolling stock, oils, glass and glassware, haberdashery and millinery, paper and pasteboard, liquors, and silk manufactures, the last and smallest item amounting to less than 2 per cent of the total and the other items being in lines which interest us. The only important line of imports in which Germany has been above competition as a manufacturer has been that of dyes; her sales of dyes into India amounted to 7.4 per cent of the total imports into India from Germany.

India's imports from Austria-Hungary are perhaps of less interest to us, for the largest item, one-third of the entire import, is sugar. Items interesting to us are: glass and glassware, 20 per cent; cotton goods and hardware, 8 per cent each; and haberdashery, 5 per cent. These five items cover three-fourths of Austria-Hungary's sales to India.

Put into dollars, the principal imports into India from Germany that may interest us were as follows: metals (excluding ores), \$12,524,000, of which mixed copper or yellow metal for sheeting was the largest item, amounting to \$3,280,000; cotton manufactures, \$4,596,000, including blankets, \$2,054,000, colored piece goods, \$1,187,000, and hosiery, handkerchiefs and shawls, \$1,071,000; woolens, \$3,484,000, mainly shawls and piece goods; and hardware, machinery and millwork, railway plant and rolling stock, amounting to \$4,725,000. Germany even sold miscellaneous kinds of mineral oils to India amounting to \$1,049,000. Minor imports from Germany which are worthy of notice comprised: engines, electrical and musical instruments, gold, silver, and embroidery thread, cement, bricks, umbrellas, stationery, biscuits and cakes, condensed milk, ivory, furniture mouldings, paints, starch and farina, artificial and mineral manures, motor cars and wagons and clocks and other timepieces.

The values of India's principal imports from Austria-Hungary during the period 1913-1914 were as follows: sugar (16 D. S. and above), \$4,487,000; glass and glassware, \$2,837,000, composed principally of glass bangles; cotton goods, \$1,095,000, principally colored and printed piece goods; and hardware, \$1,085,000, principally unenumerated iron ware. Minor items are: haberdashery and millinery, German silver, nails and rivets, stationery, writing

paper and envelopes, woollen piece goods, safety matches and wearing apparel. Still less in value among imports from Austria-Hungary were: hosiery, strong boxes of metal, iron and knitting wool, timber, electrical instruments, boots and shoes of other material than leather, nails and warp, earthenware and soap.

The total number of vessels cleared at British Indian ports to Germany in 1913-1914 was 163; the total number cleared to Austria-Hungary was 108. While these figures look large compared with American shipping to India, they form only 6 per cent of the total number of vessels which cleared British Indian ports during the year.

#### *Immediate Effect of the War—Freight Increases*

Let us turn now to the latest official information regarding the immediate effect of the war on our trade with India. Before quoting the latest American figures available at the Department of Commerce I may say in short that they disclose a rapid increase in trade in January and February as compared with all previous trade, in spite of the decreased trade of the six months ending in December. This increase in the last two months' trade comes despite the fact that shipping facilities between America and India have been worse during these months. The vessels cleared at United States ports for India in January had only half the tonnage of those cleared in January a year ago; the vessels cleared in February, 1915, had but little over a third of the tonnage of the clearances of February, 1914.

This deficiency in shipping is accompanied by gradually increased freight rates and is part of a world-wide situation which need be referred to but briefly and which may be vividly illustrated by consular reports received within the last week. I should premise this showing with the statement that there is at present but one line making direct trips between America and India, the American and Indian line, since the German Hansa line, which was the principal line for direct shipments before the war, is, of course, unable to continue in the trade, and a considerable number of British steamers formerly engaged in direct service between the United States and India have been requisitioned by the British authorities.

It will also be remembered that the German cruiser *Emden* exercised a disastrous material as well as moral effect upon shipping with India early in the war, having even bombarded the port of Madras. The consul at Madras reported that as a result of the official announcement made early in November of the destruction of the *Emden*, two steamers immediately cleared from the port, both of which carried large shipments for the United States.

New freight rates to the Far East amounting to an increase of forty per cent over the rates obtaining before the war were announced a week ago in the daily publication of the Department of Commerce in a report from the consul general at Hongkong. Similar rates have been agreed upon by way of both the Panama and Suez Canals, effective as of April 1. This includes an increase of ten per cent made in the rates soon after the opening of hostilities in Europe. The reasons given for this increase apply to shipping everywhere: the disappearance of German and Austrian vessels from the sea, the use of a large number of British, French and other vessels for transport service or as auxiliary cruisers, and the demand for tonnage otherwise for war purposes.

The reasons for the crisis in Far Eastern shipping are given fully in a memorandum read at a joint meeting of chambers of commerce in Manila thus:

1. The whole large German mercantile fleet is at present either captured or interned in neutral ports. While a few of the captured vessels have already been made available by the allied governments for mercantile purposes, these boats are being used by the Allies themselves for transport purposes.

2. The allied governments have requisitioned a large proportion of the better class of mercantile tonnage for war purposes.

3. For some four or five months some of the main French and British ports have been closed to commercial work, and the remaining ports have been unable to handle the enormous amounts of produce and foodstuffs which have been poured into them. This has caused delay of as much as two months in the discharge of the steamers, and has prevented them from being able to get back to producing countries to load new cargoes.

4. The causes above stated have led to the comparatively small number of neutral vessels being chartered at high rates to go on long trips to Europe, and have thereby cleared the Orient of vessels it depended upon for the shorter trades. The usual supply of Japanese steamers which could formerly be called upon in case of stringency is finding profitable employment partly in these long European charters and partly in its own special work.

The result of this situation in the Philippines is that in Iloilo thousands of tons of sugar are pouring into the market without not only tonnage to move it, but enough warehouses to store it. The steamers now serving the Islands leave them full to their utmost capacity. The irony of fate is that there are seventeen German freight and passenger steamers interned in Manila Harbor waiting the end of the war.

The memorandum further stated that freight rates from the Philippines to the United States had increased about threefold, on hemp increasing from \$15 per ton last year to \$45 per ton at the present time, and on sugar from \$7.50 per ton last year to \$20 per ton at present.

#### *Trade Decreases During Six Months, Then Increases*

As I have indicated, notwithstanding the increased freight rates, our export trade with India (excluding kerosene), increased 12 per cent in January, 1915, as compared with January, 1914, and 5 per cent in February, 1915, as compared with February, 1914. This shows a revival in trade following the serious decrease of 7 per cent in our export trade with India during the preceding six months (as compared with the six months ended December 31, 1913). The following figures for January and February apply to the port of New York only, and, together with some of the details for the preceding six months, are from the unpublished customs returns in the Department of Commerce.

It is interesting to note that the increased trade in January and February was largely in the same classes of merchandise that show a falling off in the trade of the preceding six months. Among such articles may be singled out, for instance: plows and cultivators, patent medicines, brushes, unbleached cottons, insulated electrical appliances and motors, bottles and miscellaneous glassware, household goods, bolts and hinges, firearms, iron pipes and miscellaneous manufactures of iron and steel. Many other American manufactures show an increased exportation from the United States to British India even during the first period of six months, as: miscellaneous agricultural implements, of which \$20,198 worth were exported from American ports in the six months ended December 31, 1914, more than three times the value exported during the corresponding period in 1913, and this was followed in January

with an exportation valued at \$4,093 as compared with an export of only \$347 in January, 1914. Other large increases in exports from the United States to India during last January or February as compared with the same months in 1914 were in: oatmeal and other food preparations, lubricating grease, belting, automobile tires, steel bars, metal-working machinery, wire, miscellaneous machines and surgical appliances.

There were many other articles in which our exportations decreased during the first months of the war and had not yet recovered in February. I cite only: illuminating oil, mowers and reapers, passenger automobiles (these decreased from \$239,775 to \$99,441 in the six months' period already cited, slightly decreased in January and decreased again to one-half the exportation of a year ago in February), motor-cycles and miscellaneous vehicles, certain minor cotton manufactures, electrical appliances, medical, optical and other instruments, razors and miscellaneous cutlery, stationary and traction engines, mining machinery, typewriters (our export of \$132,842 worth in July to December 1913, fell to \$93,957 worth during the same months of 1914 but nearly recovered their normal value in January and February), steel plates (the exports of steel sheets increased), axes, saws and other tools, barbed wire, lamps (the sales during the six months' period in 1913 totaled \$314,685, but fell to less than one-third of this sum in the last six months of 1914), men's shoes, harness and saddlery, rosin, spirits of turpentine (a small decrease, the export for the half year being about \$12,000 in each case), paint and varnish, playing cards (we sold over \$20,000 worth during the half year in question), leaf tobacco and cigarettes (exports of plug have increased during the war excepting in January), and, finally, fir lumber (nearly \$100,000 worth being sold in the last six months of 1913 and about one-tenth of this in the same period in 1914). These, I repeat, are articles of which our exports decreased, as might be expected, as a result of the war.

Our trade with India was in some respects more adversely affected by the war than our trade with the world at large—the belligerent powers always excepted—although not so seriously affected, for example, as our trade with South America. Both our imports and our exports in trade with India in January of this year amounted to about 70 per cent of the value of the correspond-

ing trade of January of last year, while, including the United Kingdom, our imports to all countries in January, 1915, were about 80 per cent of the corresponding imports of 1914 and our exports reached the large volume of 130 per cent of the January exports of 1914. Again, during the seven months ended January 31, 1915, our imports from British India ran about as in January, 70 per cent of the imports of the preceding year, while our imports to all countries, including the United Kingdom, were 87 per cent of those for the corresponding period in 1914; but our exports to British India during this period of seven months ran even with our exports to all other countries during the corresponding period. In other words, our exports during the last seven months ended in January were 90 per cent as large as those of the corresponding months of 1914, both in the case of India and of all countries combined.

Our trade with South America shows greater fluctuations than our trade with India. Our imports from South America show an increase of 118 per cent, whether comparing the seven months' periods as before or comparing January last with January of 1914. On the contrary, however, our exports to South America show the smallest per cent I have yet given, a fall to 56 per cent, comparing the seven months ending in January each year. They show a more favorable figure, that is a fall to 81 per cent, comparing the months of January, 1914 and 1915.

In conclusion, I have shown, I think, that the door of opportunity stands wide open at the present moment for great trade with India and that the opportunity will be vastly greater when the shipping problem is solved, as we must and will solve it. I have shown that it is one of the greatest trades of the world; that it is of greater importance, in many respects, in its future possibilities than our trade with South America; and that it makes a special appeal to America as an integral factor of the age-long campaign which we must enter upon in order to sustain our natural dominance in the commerce of the Far East and of the New Pacific, the future center and chief arena, says the Paris savant, of the commerce of the world.